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CS: 03-03-41
F.A. DULLES, T.M. KEARNS, R.L. SNYDER,
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MR HAMISH MAXWELL (VISITING)

CC: RWM, TG, WTM (PME)
F.A. DULLES, T.M. KEARNS, R.L. SNYDER,
L. POLLACK (PMI)

FLASH TELEX - WEEK ENDING FEBRUARY 26, 1982

1. LEGAL

A) GERMANY

1) IT IS EXPECTED THAT THE FCO WILL ISSUE IT'S DECISION THIS WEEK AND THIS DECISION WILL BE A NEGATIVE ONE. OF THE SUBSEQUENT COURSES OPEN TO US, THERE ARE THREE MAIN ROUTES: (1) LEGAL, (2) AN APPEAL TO THE MINISTRY OF ECONOMIC AFFAIRS AND (3) A COMBINATION OF BOTH.

(1) IN THE LEGAL CONTEXT, WE HAVE TO APPEAL TO THE KAMERGERICHT IN BERLIN AGAINST THIS DECISION WITHIN THIRTY DAYS. THEN 30 DAYS ARE AVAILABLE TO SUBMIT PAPERS DETAILING THE REASONS FOR THE APPEAL.

Source: https://www.industrydocuments.ucsf.edu/docs/lqkx0000

(2) WE CAN APPEAL AGAINST THE DECISION TO THE MINISTER OF ECONOMIC AFFAIRS, REQUESTING THE MINISTER TO REVERSE THE FCO RULING. THERE IS NO TIMING REQUIREMENT FOR THIS APPEAL AND WE CAN APPEAL AT ANY TIME THAT WE THINK WOULD BE TO OUR ADVANTAGE.

(3) APPEAL BOTH TO THE COURT AND THE MINISTRY OF ECONOMIC AFFAIRS IDEALLY ALTERNATIVE NUMBER 3 IS MOST DESIRABLE BECAUSE ALL OPTIONS ARE OPEN. HOWEVER IN THE PRESENT POLITICAL SITUATION IN GERMANY WE WILL APPEAL ONLY TO THE COURT AND AWAIT THE APPEAL TO THE MINISTRY UNTIL THE APPROPRIATE MOMENT.

NO PRESS RELEASE IS PLANNED BUT WE HAVE PREPARED A SHORT RESPONSE IN CASE JOURNALISTS CONTACT US. THE RESPONSE IS AS FOLLOWS

"ON ....., THE BUNDESKARTELLAMT HAS PROHIBITED THE PARTICIPATION OF PHILIP MORRIS INCORPORATED, NEW YORK, IN THE ROTHMANS TOBACCO (HOLDING) LTD, LONDON.XX

WE DO NOT AGREE WITH THE FCO'S INTERPRETATION OF THE CONSEQUENCES OF PHILIP MORRIS INCORPORATED'S INDIRECT 22 O/O PARTICIPATION IN ROTHMANS INTERNATIONAL, ON WHICH THEY BASED THEIR DECISION.

WE WILL APPEAL THIS DECISION WITH THE BERLIN KAMMERGERICHT. WE ARE CONFIDENT THAT WE WILL BE ABLE TO PROVE OUR CASE BEFORE THE COURT, AS WE ARE CONVINCED THAT THE PARTICIPATION OF PHILIP MORRIS INCORPORATED IN ROTHMANS TOBACCO (HOLDING) LTD, LONDON, WILL HAVE NO NEGATIVE EFFECTS ON THE PRESENT COMPETITION STRUCTURE OF THE GERMAN CIGARETTE MARKET."

XX THE FIRST PARAGRAPH HAS BEEN SUBMITTED TO DR. HEIDENHAIN, OUR GERMAN LAWYER, FOR REVIEW AND RE-WORDING IN GERMAN.

2) L. RUMBLE, F. DULLES AND M. HEIDENHAIN ATTENDED A MEETING ON FRIDAY, FEBRUARY 26 IN HAMBURG WITH PROFESSOR GUTOWSKI. PROFESSOR GUTOWSKI WILL PROVIDE A TRADITIONAL, ANALYTICAL ECONOMIC STUDY SUPPORTING OUR CASE AND IT IS EXPECTED THAT A FIRST DRAFT WILL BE AVAILABLE AT THE BEGINNING OF APRIL AND A FINAL REPORT WILL BE AVAILABLE BY MID APRIL.

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Source: https://www.industrydocuments.ucsf.edu/docs/lgkx0000

ANOTHER MEETING ON FEBRUARY 26 WAS HELD AT BREMEN WITH MARTIN BRINKMANN OFFICIALS AND PROFESSOR ALBACH TO DISCUSS PROFESSOR ALBACH'S PRESENTATION. PROFESSOR ALBACH'S STUDY WILL MAINLY USE COMPUTER GENERATED MATHEMATICAL ANALYSIS. NO TIMETABLE WAS AGREED REGARDING PROFESSOR ALBACH'S SUBMISSION.

3) EH AND FD MET ON FEBRUARY 24TH IN FRANKFURT WITH HEIDENHAIN, AXSTER AND HIRSCH. THE FOLLOWING ACTION WAS DECIDED UPON:

A) BRINKMANN WILL WRITE A LETTER TO KARTTE COMPLAINING THAT THE PUBLICITY BY THE FCO IN THE GERMAN PRESS IS HAVING A NEGATIVE COMMERCIAL IMPACT ON BRINKMANN.

B) THE LAWYERS SENT, ON THURSDAY FEBRUARY 27, A TELEX TO KARTTE NOTING THE COMMENTS OF HELD TO THE PRESS AND THE EXTENT OF CONFIDENTIAL INFORMATION AVAILABLE TO THE JOURNALISTS AND ASKING KARTTE TO RESTRAIN FURTHER PRESS ACTIVITIES BY THE FCO

C) A DRAFT OF COMMITMENTS TO BE GIVEN BY MARTIN BRINKMANN AG AND BRINKMANN HOLDINGS, SENT TO THE FCO WAS AGREED UPON. THIS WAS MAILED TUESDAY, MARCH 2, TO THE FCO. HEIDENHAIN, AXSTER AND HIRSCH WILL MEET THE FCO TO DISCUSS THE PROPOSALS ON MARCH 9TH. EXCLUDED FROM THE DRAFT ARE ANY PROHIBITIONS ON "JOINT VENTURES" AND ANY GUARANTEE BY RTH OR RI. AS TO THE LATTER, THE FCO WILL BE TOLD THAT NOTHING CAN BE DONE UNTIL THE RI BOARD CONSIDERS THE MATTER ON MARCH 15TH. OUR TACTIC IS TO AGREE ON THE BRINKMANN COMMITMENTS THEN REFUSE THE RTH/RI GUARANTEES AND ANTICIPATE THE FCO BEING SATISFIED WITH THE COMMITMENTS WITHOUT GUARANTEE.

4) MARTIN HIRSCH HAD A CONVERSATION ON MARCH 1 WITH HELD IN WHICH IT WAS STATED THAT KARTTE AND HELD WERE DISTURBED BY THE TELEX OF FEBRUARY 27 WHICH THEY TOOK TO BE A MOTION TO CONSIDER WHETHER HELD SHOULD BE DISQUALIFIED. KARTTE HAS SENT BACK A TELEX ON MARCH 1 DEFENDING HELD'S ACTIONS, AND STATED THAT IT WAS APPROPRIATE FOR THE FCO TO GIVE INFORMATION TO THE PRESS ABOUT PENDING CASES OF SIGNIFICANT INTEREST. THE RESPONSE WAS AS ANTICIPATED, BUT WE HAVE ESTABLISHED OUR DISAPPROVAL OF HELD'S ACTION WHICH MAY BE OF SOME USE IN THE COURT.

Source: https://www.industrydocuments.ucsf.edu/docs/lqkx0000

5) A NUMBER OF PUBLIC FIGURES ARE BEING OFFICIALLY INVESTIGATED IN GERMANY IN CONNECTION WITH ALLEGED TAX EVASION AND ILLEGAL DONATIONS TO POLITICAL PARTIES. AMONGST THOSE BEING INVESTIGATED ARE COUNT OTTO LAMBSDORFF, ECONOMICS MINISTER. IT IS IMPOSSIBLE TO FORECAST LAMBSDORFF'S FUTURE AT THIS TIME.

B) EEC

A NEW DRAFT OF THE REMBRANDT SUBMISSION TO THE EEC HAS BEEN RECEIVED. THEY PLAN TO FILE THEIR SUBMISSION WITHIN THE NEXT WEEK AT BRUSSELS.

C) CANADA

EH, FD, AND JOHN CLAXTON ARE VISITING OTTAWA ON MARCH 5TH TO MEET WITH MR. BERNSTEIN, THE CASE OFFICER FROM THE RULING DIVISION, COMPLIANCE BRANCH AND AT LEAST ONE OF THE FOLLOWING THREE PEOPLE: W.T. WOOD, ASSOCIATE DIRECTOR GENERAL, COMPLIANCE BRANCH; K. MACINTOSH, DIRECTOR, COMPLIANCE BRANCH; T. BARTON, DIRECTOR, LEGAL SERVICES. IF WE CANNOT REACH AGREEMENT WITH FIRA, WE SHALL ADVISE THEM THAT WE DO NOT INTEND TO FILE AND THAT THE MATTER WILL HAVE TO BE SETTLED IN A COURT.

E. POLITICAL ACTION - EEC

EH ATTENDED A LUNCH AT BRUSSELS ON FEBRUARY 25. AT THE LUNCH WERE MR. ANDRIESSEN AND MR. VAN VOORST OF THE EEC COMMISSION. EH WAS BLE TO HAVE A BRIEF DISCUSSION WITH VAN VOORST REGARDING OUR CASE. HE WAS ABLE TO MAKE A BRIEF ACQUAINTANCE WITH MR. ANDRIESSEN ON A FRIENDLY, PERSONAL BASIS, BUT DID NOT DISCUSS THE CASE.

. THE IBM CASE IN FRONT OF THE COMMISSION, IT HAS BEEN ANNOUNCED THAT THE U.S. ADMINISTRATION ARE SENDING OFFICIALS FROM THE U.S. DEPARTMENT OF JUSTICE AND THE COMMERCE DEPARTMENT TO ATTEND THE ORAL HEARINGS. AMERICAN OFFICIALS ADMIT THAT SENDING SUCH "OBSERVERS" TO MONITOR EEC ANTI-TRUST PROCEEDINGS IS UNUSUAL BUT THEY HAVE STRESSED THE UNIQUE NATURE OF THE CASE IN QUESTION. THE WASHINGTON GOVERNMENT HAS EXPRESSED IT'S DESIRE TO HAVE THE CASE SETTLED AS AMICABLY AND AS QUICKLY AS POSSIBLE. THIS MAY BE AN INTERESTING DEVELOPMENT FOR US AND WE SHALL REVIEW FUTURE DEVELOPMENTS.

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Source: https://www.industrydocuments.ucsf.edu/docs/lqkx0000

3. OPERATIONS

(A) VISITS

THE TRIP OF MESSRS. F. KENAGHAN, B. NIBLOCK, DR. BUNTON FROM CARRERAS ROTHMANS U.K. TO VISIT EUROPEAN FACTORIES AND RICHMOND HAS BEEN FINALIZED AS FOLLOWS:

TUESDAY, MARCH 23 : VISIT BERGEN OP ZOOM FACTORY
WEDNESDAY, MARCH 24 : VISIT MUNICH FACTORY AND DISCUSS ET SUPPLY
THURSDAY, MARCH 25 : VISIT NEUCHATEL FACTORY
FRIDAY, MARCH 26 : MORNING DISCUSSIONS IN LAUSANNE
AFTERNOON DEPARTURE FOR U.S.A.
MONDAY, MARCH 29 : VISIT RICHMOND FACILITIES
TUESDAY, MARCH 30 : DISCUSSION ET PLANT IN RICHMOND

G. KARANJOULIS WILL ACCOMPANY THE VISITORS.

ANOTHER MEETING HAS BEEN FIXED WITH TABACCOFINA FOR MARCH 17 IN BERGEN OP ZOOM IN ORDER TO DISCUSS ET TRIALS AND ON MARCH 18 WE SHALL VISIT THE LAURENS FACTORY IN THE HAGUE.

(B) CONTRACT MANUFACTURING

G. KARANJOULIS IS MEETING BRINKMANN IN BREMAN ON MARCH 18/19 TO DISCUSS CONTRACT MANUFACTURE OF MULTIFILTER 100'S.

(C) ET

A MEETING BETWEEN PM (W. MCDOWELL) AND AIRCO WAS SCHEDULED FOR MARCH 2 IN N.Y. AT WHICH AIRCO WAS INFORMED (A) THAT PM IS INTERESTED IN COOPERATING WITH THEM TO INCREASE SALES OF THE DIET PROCESS, AND (B) THAT PM'S LAWYERS ARE CURRENTLY ADDRESSING THE ISSUE OF RI AS A PM AFFILIATE. WE WILL THEN OBTAIN A BETTER FEEL FOR AIRCO'S REACTION TO THIS LATTER POINT.

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BEARING IN MIND PM'S WILLINGNESS TO SHARE WITH AIRCO OUR DEVELOPMENTS OF THE PROCESS, PM'S OBJECTIVE WILL BE TO NEGOTIATE RATHER THAN LITIGATE FOR RI TO BE CONSIDERED AN AFFILIATE. A PRELIMINARY ESTIMATE OF THE MAXIMUM BENEFIT TO PM FROM AN ARRANGEMENT WITH RI IS DLRS 750 THOUSAND PER ANNUM.

NOTE: WE HAVE JUST BEEN INFORMED THAT THE QUESTION OF PM'S INVOLVEMENT WITH RI WAS NOT RAISED. WE ARE NOT SURE WHY AND THE MATTER WILL BE INVESTIGATED.

IN CANADA, RPMC'S INTEREST IN BUYING ET FROM B+H HAS APPARENTLY COOLED. THIS MAY BE A NEGOTIATING PLOY ON PRICE OR REFLECT THEIR INTERNAL DOUBTS ON THE ECONOMIC VIABILITY. A. SACHAL IS MEETING WITH RPMC FINANCIAL PEOPLE TO EXPLAIN THE ECONOMIC CONSEQUENCES OF ET. MEANWHILE, B+H HAVE GIVEN A DRAFT AGREEMENT TO IMPERIAL, WHO ARE VERY INTERESTED IN BUYING ET FROM US AND HAVE NOT MADE ANY COMMENTS ON PRICE. IF THEY SIGN THIS MAY PUT INCREASED PRESSURE ON RPMC.

A. BUSINESS DEVELOPMENT

A) SWITZERLAND

CH MET WITH E. DE JAEGERE ON FEBRUARY 25TH IN ANTWERP TO DISCUSS THE LAURENS SITUATION. IT WAS SUGGESTED TO DE JAEGERE THAT TABACCOFINA AND TURMAC SHOULD TRY TO COORDINATE THEIR PLANS FOR WITZERLAND AND HAVE A UNIFIED OBJECTIVE. DE JAEGERE WAS ADVISED THAT LAURENS ALONE WAS NOT AN ATTRACTIVE PROPOSITION. A FURTHER MEETING WAS SUGGESTED TO DISCUSS A TOTAL PLAN.

B) INDONESIA

W. CAMPBELL AND J. FEENIE VISITED THE FAROKA FACTORY WITH E. DE JAEGERE AND AS A RESULT FEEL MORE CONFIDENT THAT PM MIGHT BE ABLE TO DO BUSINESS WITH THEM, E.G., FOR A LOCALLY MANUFACTURED AMERICAN BLEND BRAND UNDER LICENSE, NOT NECESSARILY MARLBORO. FAROKA NEEDS ADDITIONAL VOLUME TO BECOME VIABLE, WHICH RAISES THE QUESTION AS TO WHY RI DO NOT LICENSE SOME OF THEIR BRANDS.

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C) JAMAICA

CARLOS SALGUERO WILL BE IN JAMAICA ON MARCH 18 TO DISCUSS LOCALLY PRODUCED MARLBORO FOR THE DOMESTIC MARKET AND THOSE COUNTRIES IN THE CARIBBEAN COMMUNITY.

D) CARLING O'KEEFE, CANADA

IT IS BELIEVED THAT CARLING MAY BE INTERESTED IN PURCHASING CENTURY. IF THIS WAS TO BE ACHIEVED, CARLING WOULD THEN BE ABLE TO GIVE THE RIGHTS FOR THE CANADIAN BREWED CALGARY BRAND TO MILLER. CARLING RECOGNIZE THAT MILLER WOULD HAVE LEGAL (ANTI-TRUST) AND DISTRIBUTOR (CONFLICT) PROBLEMS IF MILLER WERE TO BUY CENTURY, ALTHOUGH THESE MAY NOT BE INSURMOUNTABLE.

AN ARTICLE HAS APPEARED IN THE CANADIAN ADVERTISING AGE OF FEBRUARY

82ND REGARDING BUDWEISER BEER IN CANADA. THE ARTICLE INDICATES THAT BUDWEISER HAS HAD SUCH A SUCCESS IN CANADA THAT EVEN THE LICENSEE, JOHN LABATT, LTD., ARE NOW "MANAGING THE GROWTH OF BUDWEISER".

BUDWEISER NOW HOLDS 5.7 O/O OF THE CANADIAN MARKET WHICH IS CONSIDERED "A PHENOMENAL ACHIEVEMENT". THE ARTICLE GOES ON TO STATE THAT CARLING O'KEEFE'S MARKET SHARE HAS REDUCED FROM 23 O/O TO 16 O/O.

THE ARTICLE ALSO SPECULATES THAT CARLING WILL BE INTRODUCING MILLER LIGHT INTO CANADA IN THE SPRING OF 1982.

E) CHESTERFIELD/EVE/MURATTI

THERE ARE NO FURTHER DEVELOPMENTS REGARDING THESE TRADEMARKS. DURING EH'S MEETING WITH E. DE JAEGERE TO DISCUSS SWITZERLAND, THE LATTER MENTIONED THAT GUIDICE OF MARTIN BRINKMANN HAD INSTRUCTED HIM NOT TO REACH ANY AGREEMENT IN ISOLATION ON THE CHESTERFIELD TRADEMARK RIGHTS HELD BY TABACCOFINA, BELGIUM AND LAURENS, SWITZERLAND

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F) CYPRUS

PM IS NEGOTIATING WITH KERANIS, THE LOCAL ROTHMANS LICENSEE, FOR THE LOCAL MANUFACTURE OF MARLBORO UNDER LICENSE. AS THE MACHINERY USED BY KERANIS IS OWNED BY RI, THEY WILL HAVE TO GIVE THEIR PERMISSION FOR THE DEAL TO BE CONCLUDED.

G) MIDDLE EAST

WE HAVE HEARD THAT RI (PROBABLY USING TURMAC) IS CONTEMPLATING THE LAUNCH OF WINFIELD AS A CUT PRICE BRAND. WE ARE ATTEMPTING TO OBTAIN MORE DEFINITE CONFIRMATION.

5. FINANCE AND ADMINISTRATION

A) COMMITTEE MEETING

IT HAS BEEN AGREED WITH REMBRANDT THAT THE NEXT COMMITTEE MEETING WILL TAKE PLACE AT MONACO ON 21ST MAY AT THE TIME OF THE MONTE CARLO GRAND PRIX.

B) ROTHMANS INDUSTRIES - SINGAPORE

THE RECENTLY QUOTED OFF SUBSIDIARY OF ROTHMANS MALAYSIA HAS ANNOUNCED EXCELLENT INTERIM RESULTS WITH SALES OF U.S. DOLLARS 34.2 MIO (+13 O/O) AND PRE-TAX PROFIT OF U.S. DOLLARS 6.5 MIO. AT THE TIME OF THE SPLIT FROM MALAYSIA, THE COMPANY ANNOUNCED THAT IT EXPECTED ITS PROFITS FOR THE YEAR WOULD NOT BE LESS THAN U.S. DOLLARS 8 MIO.

C) BOND OFFER - REMBRANDT

A REPLY HAS BEEN RECEIVED FROM MR. ROUX OF REMBRANDT REGARDING THE BONDS WHICH WERE ON OFFER. HE STATES THAT REMBRANDT HAVE

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CONSULTED THEIR LAWYERS AND THEY BELIEVE THAT THE PURCHASE OF THESE BONDS WOULD BE AN UNDESIRABLE STEP. STRICT LEGAL INTERPRETATION OF THE RULING BY THE LONDON TAKEOVER PANEL DOES NOT RESTRICT PURCHASE OF THESE BONDS, BUT WE MUST CONSIDER NON-LEGAL IMPLICATIONS. RG FELT THAT THE AMOUNT OF BONDS ON OFFER WAS TOO SMALL TO BE INVOLVED WITH AND IT MIGHT RISK INCREASING SPECULATION AND "DAMAGE MORALE OF RI".

A PROPOSED RESPONSE BY PM IS BEING DRAFTED.

D) 959 FORMS

PM ARE REQUESTING A FURTHER EXTENSION FROM THE IRS FOR THE FILING OF THE ADDITIONAL INFORMATION REGARDING ROTHMANS COMPANIES. DETAILED 959 FORMS STILL HAVE TO BE LODGED FOR 159 COMPANIES. RENBRANDT HAVE PROMISED TO SUPPLY THE ADDITIONAL INFORMATION, BUT DUE TO THE COMPLEXITY OF THEIR OPERATIONS, IT WILL STILL TAKE SOME TIME TO RECEIVE THE FINAL INFORMATION.

6. GENERAL

A) PERSONNEL

MR. JURGEN KRAUS WILL COMMENCE EMPLOYMENT WITH THE GROUP ON 1ST APRIL 1982. MR. KRAUS HAS PREVIOUSLY BEEN EMPLOYED BY FTR AND WILL LOOK AFTER THE OPERATIONS DETAILS OF COMMUNICATION WITH ROTHMANS GROUP.

B) SHARE PRICES

FOLLOWING ARE SHARE PRICES OF RI PUBLIC COMPANIES AS AT FEBRUARY 26, 1982 (PREVIOUS WEEK'S PRICES IN BRACKETS).

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Source: https://www.industrydocuments.ucsf.edu/docs/lqkx0000

ROTHMANS INTERNATIONAL (POUNDS	77.5	(79 P) –
RI CONVERTIBLE POUNDS/DM BONDS (DM)	2973.75	(2989.35) +
DUNHILL (POUNDS)	258	(258 P) .
CARROLS (IRISH POUNDS)	59	(59 P) .
TABACCOFINA (BF)		
– FORWARD	3170	(3205) –
– SPOT	3190	(3200) –
ROTHMANS OF PALL MALL CANADA (CAN. DLRS)		
– COMMON	N/A	(22-3/8)
– PREFERRED B	8-1/2	(N/A)
CARLING O'KEEFE		
– COMMON	6-1/8	(6) +
– PREFERRED A	N/A	(N/A)
– PREFERRED B	N/A	(17-1/2)
ROTHMANS OF PALL MALL AUSTRALIA (AUS DLRS)		
– SYDNEY	4.60	(4.80) –
– MELBOURNE	4.50	(4.80) –
ROTHMANS INDUSTRIES, N.Z. (NZ DLRS)	1.80	(1.92) –
ROTHMANS OF PALL MALL MALAYSIA (SING. DLRS)	6.65	(6.65) .
ROTHMANS INDUSTRIES LTD. (SING. DLRS)	7.40	(7.40) .

BEST REGARDS,
E. HOUMINER

P.S. HAVE JUST HEARD FROM HEIDENHAIN. HE HAS RECEIVED A CALL FROM HELD WHO SAID THE FINAL HAS BEEN MAILED THIS AFTERNOON, MARCH 3.

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